

The auditors' duties against money laundering and economic corruption

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Abstract

A transparent international organization that classifies the countries by virtue of special norms concerning combat against corruption and transparency of their economic-financial data believes that the auditors play a very important role as the financial supervisors because essentially financial corruption and money laundering influence financial statements and economic stability. Hence, this article examines corruption, money laundering and the auditors' role and duties to prevent them. In terms of the findings of this study, it is expected that auditors execute following items to combat corruption and money laundering: examining accurately sudden decrease of the received accounts through credits disappearance, receiving unreal accounts, examining unusual changes in usual accounts and transactional patterns, examining how to deliver the tenders, how to buy the goods and services and the payment of the amount from the company to persons or departments not in relation to the company activities, finding illegal payments, examining doubtful transactions, training practical special courses to combat economic corruption, examining employment relations of doubtful persons, etc. Therefore, as social responsibilities the auditors' duties to combat financial corruption and money laundering are very important.

Keywords: Money laundering, Auditors, Economic corruption

Introduction

Corruption is one of the oldest problems of human focused on by different thinkers and scientists. This problem damages the political, economic and

social body of the country. There is not any countries without corruption in the world, and all countries have some rank in the list which are issued by transparency international organization to classify the countries in corruption viewpoint. Thus, having considered corruption as an unavoidable phenomenon, different countries try to have a political unit with the least corruption. Nowadays corruption is the most important danger threatening the governments. Also, money laundering is a type of economic corruption making the human communities sick. Considering complicated dimensions and negative effects of corruption and money laundering in the state economy, most of the developing countries have defined some regulations to supervise properly the economic, administrative and financial systems to prevent corruption and money laundering penetration into their economy. Iran that is in the way to transfer narcotic substances and with a great underground economy, economic corruption and weak financial system to supervise money laundering and many finance associations out of central bank control have the conditions appropriate for the money launders' penetration to damage the state financial system. This article examines the economic corruption, money laundering and the auditors' duties.

Review of related literature

Economic Corruption

The word 'Corruption' originates from the Latin 'Rumpere' meaning breaking or violating and what is broken or violated may be a moral or social norm or administrative regulation. In Persian, the word corruption has different meanings such as corruption, damage, oppression, wickedness, bad action, iniquity, hostility, hatred and riot. Machiavelli believes that corruption is a current during which

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the people's morals become weak and their virtues disappear so that they become ready to commit offenses except when they are under the influence and direction of a great leader (Kordlu, 2005).

In Webster, dictionary corruption is defined as follows, "Illegal rewards to someone to violate him (her) duty" (The Assistance of Economic Studies Assistance, The Center Distinguishing the Regime Benefits, 2007, 14). World Bank (1999) has defined corruption as follows, " Misusing public sources to keep personal benefits " (Mahmoodi, 2002). It goes without saying that misusing power and governmental position are not always in line with personal benefits, but it may be in line with the benefits of a party or political ideology, special class, friends or family. Corruption may be the misuse in an office such as embezzlement, nepotism, etc.

In all of the political and bureaucratic offices, there may be both forms of organized and disorganized corruption either in large or small groups (Chetwynd et al 2003). It is difficult to measure corruption because it is a willfully hidden contract. However, some of organizations and institutions including the World Bank, international transparency organization and Price water House Coopers foundation are making effort to measure the corruption indexes. In all of the cases, data were gathered by a survey from citizens, scholars, and businessperson. The achieved results are based on perception and approved by most of Islamic scholars (Economic research deputy of the Expediency council's strategic studies 6, 2007)

Factors affecting economic corruption and their indications from the view point of auditors

Various factors contributing to corruption and its spreading are as follows:

(1) Inefficient governments: Most of the developing countries more or less are among those of the inefficient country. Researches show that corruption contributes to decline of investment making which in turn holds back economic growth. It is possible that economic corruption leads the productive economic activities to the underground activities and economic rent (2) Meritocracy weakness: one of the major obstacles that underdeveloped countries are faced with is the lack of paying attention to the competencies and merits of individuals. The absence of experts and competent forces in different sectors may lead to the ineffectiveness corruption. (3) Poverty and low income: poverty is

one of the main reasons for corruption, because it is more likely that poor people violate moral principles.(4) Moral and cultural factors: some of other factors contributing to the spreading of corruption include prevalence of hegemony, breaking rules, loss of conscientiousness and diminishing of obedience of moral bases.

According to auditors, financial statements may not be affected by money laundering, but the global business shows the following:

(1) every kind of financial corruption may affect the financial statements in some ways, (2) unlike money laundering the financial corruption may affect one of items on the balance sheet or gain and loss statement (financial audit),(3) Financial corruption prevent a correct evaluation by managers and company's performances (performance auditing), (4) It hinders the correct taxation (tax auditing),(5) It is the reason why equity of some of the shareholders is being abused for the gain of other shareholders, (6) It offends some of citizen's right (auditor's social responsibility) and finally, and (7) financial corruption can violate auditors' independence or frame to buy the auditors' statements.

Money laundering

Money laundering's concept and kinds

During two past decades, so many scholars have paid attention to the concept of money laundering as an important legal and financial issue. As it appears, in the process of money laundering the "dirty" money is laundered to appear as if it is clean money. In the literature, dirty money means a large amount of money that has been gained through crime. The offenders try to conceal the origin of their illicit funds resorting to some activities. It is evident that such activities impose irreparable damages to an economy that create the impetus for governments to taking a series of measures against the phenomenon. For the term money, laundering origination there is two ideas: some said it originated from mafia ownership of Laundromats in the United States. Gangsters there were earning huge sums from extortion, prostitution, gambling and bootleg liquor and drugs. They needed to show a legitimate source for these monies. One of the ways in which they were able to do this was purchasing legitimate businesses is mixing their illicit earnings with the legitimate earnings they received from these businesses. These gangsters chose Laundromats because they were cash business and this was an undoubt-

ed advantage to their heads (Reymond, 1985:17). Some others believe it is a myth and money laundering are called what it is because it describes that the dirty money is put through a cycle transfer and deals so that it comes out as clean money (Chaikin 1992:11). However, money laundering is one of recent term that, for the first time, it appears during the Watergate scandal in 1973. The first expression appeared in a judicial or legal context in 1982, since then, the term has been widely accepted and is in popular usage throughout the world (Mirmohamad Sadeghi, 2003:93). In the essay of "private banking and money laundering" Carl Levin defines it as «money laundering occurs when the offenders try to disguise the earnings from their criminal activities to claim it as legitimate earnings» (Sharifi Lorisani, 2006).

Article «2» part H of the United Nations convention stating against the international organized crime requires that earnings from this crime: "is each kind of money earning through committing crime directly or indirectly". The international criminal police organization expresses that "money laundering is every kind of operation setting about to hide or disguise the identity of illegitimate earnings to claim as if it comes of a legal source" (Bagherzade, 2004).

Under article, 2 enacted against money laundering in 2007 in the Iranian Islamic parliament it defined as: A – the acquisition, possession, maintaining, or use of the property obtained by illicit activities, knowing that such property is derived from the offense. B – The engagement in transferring or transaction of earnings knowingly to camouflage its illicit origin or of assisting the offender with the intent to evade the legal consequences of his actions. C – the concealment of true identity, source, location, disposition or ownership of illegal earnings which obtained either directly or indirectly. The Iranian constitution 1979, article «49» requires of «... confiscating all wealth accumulated through unsure, usurpation, bribery, embezzlement, theft, gambling, misuse of government contracts and transaction, the sale of uncultivated lands and other resources subject to public ownership, the operation of centers of corruption and other illicit means and sources and restoring it to its legitimate owner. In addition, if no such owner can be identified, it must be entrusted to the public treasury. This rule must be executed by the government with due care, after investigation and furnishing necessary evidence in accordance with the law of Islam.

In line with the execution of Article «49», rule of enforcement of Article 49 of 1994, has been approved by ordinary legislators. One of the objectives for the formation of Iranian Islamic government has been stated as competing with illegal earning, corruption and wealth accumulation in the hands of authorities. The Islamic revolution, with the leadership of Imam Khomeini, also took place aimed at combat with corruption. The United Nations' governments suffer from the accumulation of illegal wealth; therefore, they have developed some rules to defend the transnational organized crimes.

The Palermo convention, Article 6, about the criminalization of laundering earnings from crime, provides «member countries shall take legal measure or the other necessary plans for the criminalization, based on their domestic constitutions». The Islamic Republic of Iran enacted the law of combat with money laundering in 2007, after incorporation with the Palermo convention. Money laundering is a process in which the dirty or illicit money obtained from criminal activities like drug trafficking, human smuggling, bribery, extortion and fraud is laundered through a cycle of activities and transactions to appear as clean money. During the process, some financial accounting and legal instruments are being abused to change the nature, form and ownership of the illegitimate proceeds. On the other words, money laundering is the connecting ring between the legal, official economy and the illegal one (Tadbir, 2005: 10-11). Although it is very important to estimate the amount of money laundering in the world, because of the hidden nature of money laundering it is difficult to estimate its amount. During past years, so many efforts have been dedicated to gain an accurate estimation of the amount of money laundering. At 1998, the United Nations estimated the size of money laundering \$300 billion annually which a huge amount of that is laundered by different methods (Sherman, 1993:42). According to the estimation of international monetary fund in 1998, the annual amount of money laundering totals 2-5 percent of GWP (Asian, 1998). Effects and concepts relating to money laundering still are not known completely in developed countries which claim the combat with the new phenomenon (Mirzavand, 2003:12). Kenawy (2006:2-4) introduced money laundering as a modern crime in the digital era, having some characteristics that impose complex and negative effects on the national economy. He believes that the globalization phenomenon of financial affairs and the connections of financial

and capital markets affect the money laundering; he also states that this matter is so important that many governments and global organizations try to prevent the expansion and development of this phenomenon in the national and international levels.

Security markets and its derivatives have provided an attractive means for money launderers. And after banks the most criminal activities take place through these markets for several reasons: (1) the sophistication in the securities market for making a profit and increase of capital; (2) lack of financial order in the market traditionally; (3) the anonymous nature of occurred transactions; (4) the high volume of cash and free flow of capital in the market.

The above-mentioned features make a potential market for the organized crimes because it became possible for money launderers to change their illegal cash into stock certificates and then change the cash within some weeks and through a few transactions. On the other hand, the securities markets are easy to access. Investors and securities dealers are available who move money in and out of a market without knowing the identity of their customers. There are four different types of money laundering as follow: (1) Internal money laundering occurs when dirty money obtained from criminal activities in the country gets laundered in the same country. (2) In outgoing money laundering, the assets produced by illicit activities are laundered by being transmitted to foreign countries. (3) Where such proceeds or assets derive from crimes committed outside the country and are introduced into the country, this constitutes incoming money laundering. (4) Out coming/external money laundering: including dirty money obtained from criminal or illegal commitments or activities in other countries and also getting laundered outside that country (Mirzavand, 2003: 57).

Different stages of changing dirty money to pure money (Laundering)

The purgation process can be extended beyond the political – geographical borders of the country; Therefore, the obtained results of illegal activities, via passing through different stages, and being hidden, its illegal origin appears legal (Morais, 2002:8). As a whole, the money laundering operation passes through three stages: -First stage: placement. It is the placement or introduction of funds or currency derived from illegal activities into the official financial systems to deposit in the domestic banks or the other financial institutions or the cash shipped

across borders to buy high value goods such as art works, airplane and precious stones and metals aimed at converting the funds to the financial assets.(2) Layering: In the course of layering, complex layer of transactions is created to disguise the audit trail (Arabmazar Yazdi and Khodkari, 2007). (3) Integration: In this stage, money is integrated into the legitimate economic and financial system. After accomplishment of layering stage, the laundered money through integration is entered into the main economic stream by some means such as transferring the illicit assets to the persons and institutions that are potentially involved with the laundering (Tadbir, 2005).

The effects of money laundering on economy

May be it seems that money laundering is a victimless crime. It has none of the drama associated with robbery or any of the fear that violent crime imprint upon us. Iranian people have no idea about money laundering or even have a positive perception of it. In the legal terms, money laundering is a heterogeneous phenomenon with the other healthy social and economic activities. Money laundering is a worldwide criminal trading because it derives from unhealthy economic activities, and its main role is facilitating or encouraging the offenders' activities or enforcement of the organized crimes. Money laundering is a serious threat to the Iranian and world economy. It diverts the private, state and co-operation activities from their main course. Generally, money laundering is regarded as a secondary phenomenon of the documented crimes like drugs trafficking, robbery, fraud, extortion and the other organized crimes. The reason for fighting against money laundering is highlighted by the appearance of the global threats which are induced by the crime. The effect imposed by money laundering on Iranian economy has remained unknown, therefore, serious measures have not been taken against it. However, some bodies have undertaken efforts to solve the problem. In recent years, the Iranian Islamic parliament enacted the law of fighting with money laundering and issued its enforcement. Money laundering has adverse effects on different social, economic, political and cultural sectors internally and internationally. The developing countries are faced with the serious problem of lack of resources. One reason is that there is a wide informal market in these countries. Occurring transaction in the informal economic domain is because of two main reasons of tax evasion and illegality of trans-

actions. The proceeds from illicit activities in some-how make its way into the legal economy. Investment in order to laundering cannot be accounted as an ordinary one, but inversely it poses various problems to the country. The major weakness relating to the “statistical system and data» is getting worse because of the changes made by money laundering about information of money volume, money demand, interest rate, foreign exchange and price of the term changes in the economic cycles. Some policy makers who make decisions based on these indications, unknowingly bias their decisions”. The misleading decision also contributes to the imbalance and ill allocation of resources that lead to the instability (Kianizade, 2003:11). Recognition of ownership and trust of clients on the execution of their contracts operate as an exclusive means of economic activities, but financial corruption and criminal activities are one of the main obstacles to the economic security, financial transparency, and government of law. On the other hand, the rapid movement of money earned from criminal activities in and out of the market in large volume disturbs the economic system and spoil investment security. Walking illicit funds through internal and external investment destroy them. Money launderers place their illicit funds in some investments that generate little additional productivity, for the purpose of concealing the origin of the earned funds not turn a profit. Therefore, it deters investment productivity leading to resource waste, facilitating internal financial corruption, increasing of crimes and diversion of resource allocation. Therefore, a large amount of illegal money is often placed in what is known as “sterile” investment, such as real estate, art, antiques, jewelry and luxury automobiles, which is a serious detriment to economic growth (Hadian, 2003:182). Increasing of money laundering will lead to the decline of the government’s revenue and increased tax rates which means that the rest of the people in the middle class, state personnel and workers have to make up the loss in tax revenue, because their taxes deducted from their salaries and we will observe the deepening of the social gap. “The majority of the funding source of development activities comes from taxes. Around 90-97 percent of the annual budget in a dynamic system is provided by taxation. Therefore, the greater part of underground and informal sector in the economic cycle, the less the government collects its real share of revenues. Money laundering causes the continued criminal activities, which in turn decreases rev-

enues of the government through tax. Decreased tax revenue depresses the government’s resources for the development of underground and the other facilities. Finally, there will be an increased rate of unemployment and poverty” (Kianizade, 2004:56). For assimilating illicit funds with the legal one, money launderer may create different shell enterprises to aid them can afford to sell a product for a cheaper price below production cost, making it difficult for legitimate activities to compete and thus impairs the legitimate private sector (Hadian, 2003:182). Privatization can be a low-cost vehicle for criminals wishing to launder their funds, if it were not based on a purposeful basis; because the criminal institutions. In fact, buying the desired firms like banks, allows criminals to hide proceeds from some crimes like drug trafficking or the other illegal activities (Hadian, 2003:183). “Dirty” funds coming from offshore activities in order to be laundered inside will change liquidity volume and increase prices. “If a large volume of money enters the market for laundering but is withdrawn suddenly in response to the factors outside the market, there would be so many problems regarding the liquid ability and banks’ resources which will threat integrity of financial markets” (Kianizade). No country tends to lose its financial input credits on assisting with money laundering, especially during the present crisis conditions. Money laundering and the other financial criminals such as manipulation of market, securities exchange using confidential information and extortion, may destroy trustworthiness and the investment attracting role of the market. Decreased funds induced by criminal activities diminish proper opportunity available toward development and stability leading to the increasing formation of criminal institutions with short term objectives (Kianizade and Bekrheskui, 2005). Corruption may change investment making from long term, fundamental investment in the short-term one in the services sector imposing harmful effects on the economy and long-term programming. The short-term investment making damages economic system since it is unstable and potential of being transferred abroad. On the other hand, earnings from money laundering doesn’t necessarily invest in the home country and most often it is invested in foreign, developed country (Amirbashori, 1997: 125). In the countries without any significant anti-money regulations, money launderer can launder their illicit money and reused it. This will lead to the increase of criminal activities that in turn there will

be more need of credits to fight with it, such that, in some cases, the government cannot afford the huge amount of expenditures and the resulting disorderliness create a doom cycle. Money laundering also brings about increasing of government cost regarding providing a secure condition on borders, battle with drugs and rehabilitation of addicts, state cost relating to court and the other compensatory costs maintaining market balance for prices, the inflation rate, interest rate, exchange rate and financial markets, which impose an additional burden on the government. On the other hand, compensatory policies of the government regarding the granting of the profit rate margin of bank facilities, subsidy, guaranteed price, the cost of employment induced by unequal competition between legal institutions and illegal institutions enjoying of funds from money laundering, which causes exclusion of the main institutions in the production field, and increasing of unemployment insurance, etc. exceed the government's costs. Developing countries also get affected by money laundering through their foreign trade and capital flow. Capital flight, one of the most well known problems of the developing countries, occurs by way of their internal, financial or border and intra border institutions reaching their domains until the world major monetary centers like New York, London and Tokyo. In contrast, there is little information about capital flight induced by anti-money laundering measures (Kianizade and BekiHeskui, 2005).

The most important destructive effects of money laundering include (1) The spreading of underground criminal activities and sustaining of a criminal's life (2) affecting macroeconomic policies, destroying their stability and decreasing gross domestic product because of spreading of capital flight; (3) capital flight for money laundering; (4) Increasing of money demand and disorganization of the exchange and interest rates. And finally increasing of inflation; (5) wealth accumulation in the hand of criminals, threatening the social, economic security and depressing the private sector; (6) little tend for making legal investment; (7) corruptibility of the political system and damaging government as apolitical and programming institution. Generally, the world society has been faced with complex and dynamic struggles because of money laundering. In fact, the worldwide phenomenon necessitates an international cooperation to tackle the maneuver power of the money launderer (Awad, 2002: 10-14).

Tactics and instruments for fighting against money laundering and the primary measures of auditors

Sometimes Iran is accused of paying little attention to take anti-money laundering measures. Regardless of the accuracy of the allegations, the Iranian economy system is one reason for that charge. Informal statistics indicate that every year around \$6 billion contraband are transferred into the country through informal and non-customs entrances (Kianizade, 2004, 150). In some years' income getting by drug trafficking has been greater than annual oil seal. Cigarette and tea smuggling annually create \$800 and \$50 billion revenue (Faryadras, 2004). According to the above figures; the underground activities constitute a huge share of the Iranian economy.

Some strategies to counter money laundering include: 1-membership in international monetary and financial treaties and using their facilities to combat with money laundering can boost the country immunity against money laundering. Regional and international cooperation and convergence among countries is more important than anti-money laundering regulations for creating monitoring stations of fighting with money laundering. Therefore, countries awarding of important union with the other countries to be able to encounter money laundering, due to the intra- and internationality nature of money laundering try to join or incorporate with the international conventions or the other global agreements to manage to tackle the detrimental effects of money laundering. 2-Control of foreign exchange, applying supervisory methods to prevent money laundering by civil servants, anti-money laundering training to employees and agiotages, and getting technical aid of the International Monetary fund; (3) Tax system reform and preventing tax evasion by money launderers. (4) Since the banking system and loan funds are the best vehicles for money launderer, therefore, it is critical to reconstruct them. (5) Diverging from state economy and creating a healthy competition atmosphere open up an opportunity to defeat money laundering. (6) Developing an organized institution to confront money laundering. (7) Money launderer taking advantage of their high wealth and power, abuse Internet and the other new electronic method in line with their objectives. Therefore, it is the time for the security, military and disciplinary systems to enter the technology domain within legal prescriptions to decoding the web-based activities of money launderers. (8) Ban on anonymous ac-

counts and requiring banks to open accounts with known personal identification. (9) Statistical report is one of the important instruments to take anti-money laundering measures. Accurate statistical reports allow for a secure programming. (10) Execution of Islamic banking operations during anti-money laundering activities. Although all activities and the other transactions via Islamic bank are being done on the assumption of accuracy, the Islamic bank policies should be aware of money laundering routes. Meanwhile, one of Islamic banking features contributing to the eradication of money laundering is the principle of sanction of unsure and illegitimate activities. Therefore, it is evident that proved illegal accounts are permitted to be confiscated and restored to its main owner (Khosravi, 2005). Finally, it can be said that the proper ground for taking anti-money laundering measures can be created by criminalization of money laundering, enactment and enforcement of banking legislations to protect all internal and external banks from money laundering. The prior instrument to fight with money laundering includes: 1- Tax as a powerful tool to fight with money laundering; 2-Independent auditors; 3-Righteous courts; 4- Free press; 5- Transparency of trade transactions. The primary measures of auditors in this regard can be included of 1-Identification and validation of customers; 2-Transferring money to the tax haven regions; 3-Detection of offshore banks; 4-Investigation of anti-money laundering regulations by an internal auditing entity (Davani, 2011)

Auditing objectives

The main reason of auditing is the verification of records, processes, and measures of an institution having enough independence related to the auditing subject, in order to not being involved in biased performances. There is a different rate of details and inclusiveness of auditing, but generally, they should evaluate the accuracy of performing operations and maintained records. For example, firm auditors concentrate on the main activity of the firm; decisions have been made by employees, the auditing process itself and the based data or proofs for the decisions has been made. If any of these factors are weak, the obtained results will be confusing. Auditing is basically in line with transparency. Although some auditors have the authorities to act/performance based on their findings, but usually they are limited to study, report the facts and sometimes recommend something to others to do necessary affairs or

the auditors may report to the authorities in the organization such as the governments and or managers, but their real power is to report to the people.

Special goals are under consideration in auditing namely: 1 –They analyze the information independently; then they present an accurate image of the institute or what's done under auditing. 2 – They find the weak points led to excuses, deficiencies or other administrative problems may the personnel do not or cannot introduce. 3 - They find the weak points and administrative deficiencies so that they help to decide what should be kept or corrected. 4 –They define a starting point for future corrections to be assessed later and sometimes contrary to the organization staff they impose or put forward some deadlines or goals for the corrections. 5 –In governmental systems they transfer valid information to people and create political pressure in reflection to the defined problems. 6 –Wherever some offense is identified they put forward some solution to be able to refer the problems to related legal or military authorities independent from the unit under auditing.

Assuring the independence of auditing institutions

The auditors' independence is varied; however, the auditor's validity and confidence depend highly on his (her) independence. Essentially most of the auditors of governmental sector benefit from the independence as much as they need. Such independence is approximately equal to the judges' or the units' against national corruption. Finally the governmental auditing units obey the same general conditions and serve the government therefore they have not complete independence; however, ordering, authority, budget, force adsorption, study, deciding about what should be audited and its method and draft and reports issue is of essential elements as follows:

1-Auditors' and personnel's independence: The auditing units' independence is in relation to their members' independence; especially ones with important responsibilities or options to take decisions. The candidates for such positions should be evaluated accurately in order to guarantee the personnel competency, validity and impartiality and then protected against external effects. It is possible to guarantee the personnel's profession security (Like the judges') in order to prevent them to misuse their position though it is necessary to have some other mechanisms and disciplines to prevent them to commit such offenses.

2 –Financial and budgetary independence: It is necessary to finance the auditing units in order to become successful. In addition, it is necessary to have some warranties that the decreased budget does not lead to auditing limits in a way that they are prevented or compared to previous audits. Considering the governmental auditors usually review financial activities of the ministries and other units related to the budget the legislator should be in relation to the multidimensional legislation committee about the budget subjects.

3 –Report independence and transparency: The value of governmental audits depends on its transparency and public disclosure. Usually the audit report includes the information and recommendations for the specialists in the organization, but the pressure to realize the recommendations are usually due to people. The necessity of public over-turning/publishing of auditing reports is usually reflected in national/territorial regulations or some regulations may exist which requires that the reports should be delivered to an institution that acts publicly such as legislature organism or legislature committee. For assuring the independence of auditors, the receivers who receive the reports, should not be allowed to change it or hide/conceal it and the existence of a default legal transparency is necessary. However, there may be some exceptions like top-secret information that are necessary for justification in order to hide or conceal them. (Langseth, et al, 2004)

Auditors duties to oppose corruption and money laundering

They include the survey of dubious deals/transactions, identifying the transactions which can be regarded as bribery objectives for government officials/authorities, special applied trainings to battle money laundering, detecting or discovering illegal payments which are achieved or gained through recourses of economic firms, the survey of employing relations among dubious or unknown people who receive payments but don't perform anything for the firm. Therefore, the auditors in the framework of opposing money laundering are expected to: 1) analyze /survey exactly the reduction of received accounts through the settlement of financial claims out of financial statements.2) Receive unreal Over-Invoice payrolls and outgoing or emersion of money from the company.3) The survey/analysis of the way of delivering of the tenders without tender ceremonies and unlike the popular and current

legal ways or delivery of tenders through collusion. 4) The study or survey of buying goods and services with a price higher than the just price of the market. 5) The survey of payments of the company, people, or institutions that are not related to the activities or operations of the company. 6) The appearance of the usual changes in current accounts and transaction models.7) Recommendation of specific/particular customers by a coworker or a foreign financial institution settled in a country well known to produce and smuggling narcotics and weapons and to keep the banking secret information (Tax paradise regions). 8) The survey by conducting deals / transactions in which the identification of the parties is so difficult. 9) The survey by conducting currency studies in high volume and unusual way. IFAC states that the auditors' main duty regarding to opposition to money laundry is applying risk-based controls in one hand and identifying the customers, on the other hand. In this regard, auditors can identify the legal people through the world wide web of official Iran newspaper. From the viewpoint of IFAC, the money laundering chain includes the lack of strong controlling condition and lack of the honesty and justice among top-managers and officials (Meritocracy) and lack of esoteric and independent related auditing plan regarding money laundering.

The economic corruption and money-laundering phenomenon in Iran

CPI (corruption perception index) focuses on corruption in public or general parts (including government) and it defines the corruption as the misuse of general/public part and state organizations from the recourses of society. This index was resulted from 18 standards that were conducted in the world in 2004, whereas the number of these standards was reduced to 12 in 2011. Iran received the grade 2.7, global ranking 124 and regional rank 12 in 2011. International transparency in the year 2011 is improved in relative to the year 2010 regarding global rank, regional rank and grade which are 25, 6 and. 5 respectively. It is the best global rank of our country. Although the regional rank of Iran, among 25 western south Asian countries, as the competitors of Iran, based on 1404 perspective document of Iran, was changed from 13 to 15, the best rank of corruption (the least corrupted) is devoted to Qatar and the worst corruption rank is devoted to Afghanistan (Dadgar& Nazari, 2009). The table (1) shows the corruption index in Iran in the time span 2004-2011.

Table 1. Corruption index in Iran in 2004 - 2011.

Year	2004	2005	2006	2007	2008	2010	2011
Rank	87	88	106	133	143	149	124
Corruption (Out of 10)	2.9	2.9	2.7	2.5	2.3	2.2	2.7

Financial corruption is a forbidden phenomenon against development that should be punished severely like other agencies. Table1 shows that notwithstanding all slogans against corruption no special thing has occurred in this regard yet except some clamorous movements without observing legal norms or presence of legal units in a way that the combating corruption has become in question. It is necessary to encounter logically and systematically with the problems, develop and apply proper solutions appropriate to the organization's needs and show their special operational reaction in order to minimize the corruption results. In addition, people expect from the politicians national mobilization to combat financial and administrative corruption and avoid contaminating it by political orientation. Some of the most important decisions to be taken by the government(s) to combat corruption are as follows: deciding on how to use the lands around the cities, the forest, pastures and mineral mines, to issue permissions for foreign investments in the country, to sell governmental properties and assets, to privatize governmental companies, how to monopolize exporting and importing for government and deciding about the accounts beyond the budget. Such decisions decrease highly corruption in the country(ies) (Dadgar& Nazari, 2009). Generally wherever is an offense is money laundering, too namely the dirty money enters into bank network and after a while the origin is lost after some transfers; in other words, the dirty money is laundered. The countries know the losses of the money laundering and related punishments; therefore, the countries guide the dirty money to be laundered to the countries where the solutions are weak or have no mechanism against such crimes and have unsound economic and administrative systems and unclear financial system and have not enough financial sources. Iran's economic system is a good filed for money laundering because Iran's economic system irregularities due to different economic and policy decision centers to direct commercial and industrial affairs and lack of central bank supervision on money circulation and financial markets to-

gether make Iran unable to benefit from a defined economic system with a developing macroeconomic policy (Interference of governance role and governmental control) (Shafiei Khorshidi, 2011). Self-sufficient financial policy of the governmental and public departments and organizations has gradually created such conditions in foreign commerce that a high amount of the imports and piers to unload are out of control of the customs (About 22 pairs). In addition, credit associations are increasing out of the supervision of the central bank and Ministry of Economic Affairs and Finance, therefore, the government has less governance of the cash circulation and money and financial markets of the country. In consideration of such unorganized economic situation, it is normal that many gaps appear in the national economy and these gaps lead the economic offenders to misuse.

By virtue of the Articles 46 and 47 of the constitution, all legal and legitimate businesses and works and private possessions are respected. Therefore, the Article 49 has potentially enough to combat the money-laundering crime. Nothing has done against money laundering in Iran yet; in this regard the only positive performance has been a money laundering bill presented to the sixth Islamic parliamentary by the government. Some charters and regulations were approved internationally against money laundering of which one of them are the 1998 Vienna Convention and the Law of EU approved in 1991 to combat money laundering; by virtue of this Law, the identities of the clients in the transactions of more than 15,000 Euro are registered, and it is necessary to report the doubtful cases. It is stated that if Iran does not join the bill combating money laundering, Iran is obliged to pay too much to cash its credits in foreign banks because European-banking system may boycott some countries such as Iran (Shafiei Khorshidi, 2007). While Iran money and foreign exchange management is the main supplier of foreign exchange in the market and provide Rails by selling it and changing it to Rial to direct the country and executes the exchange in abroad to prevent the decrease of foreign exchange rate, a money and

financial current appears and damages the money origin. There is money laundering as much as the offense rate. The offenders gain too much because of increasing offences such as goods and foreign exchange smuggle, narcotic substances distribution, personnel's financial corruption in the governmental departments and companies, theft, kidnapping, fraud, bribery, land-grabbing, selling economical codes and forged invoices to evade tax; by virtue of the statistics the dirty money is about yearly 11,000,000,000 dollar in Iran economic circulation which is laundered easily because of the lack of defined and efficient mechanisms to supervise money transfer and banks; therefore, the offenders do not need to take the money out of the country.

Conclusion

Money laundering is a type of economic corruption making the human communities sick and depending on legal, financial and supervising departments, the developing communities suffer from it more. The money-laundering phenomenon often needs corruption as a facilitator to achieve related goals. Having examined the findings and done studies it was shown that the financial corruption leads to insufficient governmental policies and decrease the investment yield and then decrease the economic growth. In addition, economic corruption may change the investment and business from producing elements to bribery and offenses, lead to unfair distribution of income, and develop poverty in the community.

In addition, money laundering increases artificially the prices, decreases production, income, jobs and economic growth and makes the economy unstable and insecure. The above-mentioned cases indicate vast dimensions of economic corruption throughout the world (Including money laundering). This article examines the economic corruption and the auditors' role and duties to prevent it. By virtue of this study findings, it is expected that auditors execute following items to combat corruption and money laundering: examining accurately sudden decrease of the received accounts through credits disappearance, receiving unreal accounts, examining unusual changes in usual accounts and transactional patterns, examining how to deliver the tenders, how to buy the goods and services and the payment of the amount from the company to persons or departments not in relation to the company activities, finding illegal payments, examin-

ing doubtful transactions, training practical special courses to combat economic corruption, examining employment relations of doubtful persons, etc. Considering the development and social welfare depend on economic safety the auditors' duty to combat financial corruption and money laundering is very important in a way that greatest countries consider the auditors as the first factors to combat financial corruption. Therefore, nowadays the auditors may not suffice to state their professional viewpoints into standard forms because the regulations against financial corruption and money laundering have included the auditors playing role in the combat. Therefore, the combat against financial corruption needs the cooperation of government and different financial, politic and judicial departments because of vast and complicated dimensions of the corruption; as we know the auditors who should be honest enough to disclose the corruptions in the financial statements direct the financial section of the departments.

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